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## CURRENT INTELLIGENCE DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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Army, USAF and State Department  
review(s) completed.

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EASTERN EUROPE

1. Extraordinary session of Hungarian parliament scheduled to meet today: The Hungarian Communist Party newspaper announced on 12 August that an extraordinary session of parliament would convene on the 14th, but did not indicate its agenda. This is the first extraordinary session of the assembly since the introduction of the constitution in 1949 and is being convened after only two days' notice. According to the US Legation in Budapest, "some spectacular announcement" in connection with Constitution Day on 20 August would be logical. [redacted]

Comment: Many rumors and little information are current on the forthcoming session. Parliament last met on 28 May and normally would not meet again until the end of the year.

2. Polish authorities apparently encountering resistance to compulsory grain deliveries: Numerous shortcomings in the compulsory grain delivery program in Poland have been reported from various sectors, according to a Polish Communist Party newspaper editorial on 13 August. The editorial blames the kulaks and the mechanical setting up of grain deliveries, by which some farms are ordered to deliver grain too early and others too late. Presidiums of the district and rural national councils are called upon to give rigid control and supervision to the program, preparing reports on those who discharge their duties and those who do not.

The national council in Poznan Province is singled out to act because of unsatisfactory plan fulfillment there due to "a considerable number of kulaks who spare no efforts to disorganize and slow down the harvesting work." [redacted]

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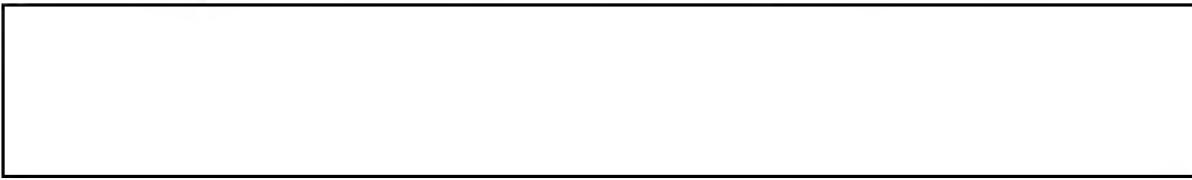
Comment: The Polish Government is apparently encountering peasant resistance to compulsory grain collections in certain areas in connection with the current harvest. Despite similar difficulties last year, however, the government managed to achieve approximately 95 percent of its goal in grain collections.

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FAR EAST

3. B-29 pursued by jets to within 200 miles of Tokyo: An American B-29 on a reconnaissance mission over the Sea of Japan on the night of 12 August was pursued over a five-hour period by "from two to 20" unidentified jet aircraft. Contact was terminated just north of Sado Island, some 20 miles off the northwestern coast of central Honshu, Japan's main island.



Comment: This represents the farthest that United States reconnaissance aircraft have been followed over the Sea of Japan. The break-off area is about 200 miles west of Tokyo and 400 miles southeast of Vladivostok.

On 6 August Soviet jets overflowed the northwestern portion of the island of Hokkaido near Wakkanai in pursuit of a B-29. On 3 August a B-29 was turned back by Soviet jet interceptors in the Hokkaido area.

4. Chinese Communists expand security network: The Peiping regime's Ministry of Public Security has issued provisional regulations governing "security defense committees" throughout China. The regulations provide for the establishment of committees of three to eleven members in government organizations, factories, businesses and schools in every city, and in administrative units in every rural village.

The committees are to assist government security organs in combatting counterrevolutionary activity and thought. They are authorized to turn over to government security organs counterrevolutionaries caught in the act, but may not seize persons who are merely suspected of improper behavior or desires.

Comment: The establishment of these committees throughout China expands Peiping's security network by several million persons and implicates community leaders everywhere in the government's security system. The possibility of both an effective "counterrevolutionary" effort and an effective popular reaction to the suppression of activities is reduced. These committees in some respects parallel the people's militia,

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claimed to total over ten million, which assist the regular armed forces throughout China.

5. Cotton imports now more important than rubber to Peiping: According to the Bombay office of the Polish Ocean Lines, the Chinese Communists are giving cotton shipments priority over rubber. Therefore the amount of rubber to be picked up by the Polish vessel Kilinski, due at Colombo about 1 October, will depend on how much cotton was available at Karachi, the ship's previous port of call. [redacted]

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Comment: Heavy Chinese buying of Pakistani cotton this year attests to the importance of these imports to Peiping. The recently reported conclusion of a contract to buy 5,000 tons of rubber from Indonesia may have temporarily reduced China's interest in Ceylon rubber.

6. Reduced terrorist activity in Malaya analyzed: In reply to a State Department inquiry on a rumored change in Communist tactics in Southeast Asia, the American Consul in Singapore stated that the Malayan Races Liberation Army and its civilian auxiliary, the Min Yuen, are provoking fewer terrorist incidents than they did six months ago, and that the Min Yuen is attempting to expand its influence and membership. Whether this development is the result of a voluntary change in tactics or of the effectiveness of the British anti-guerrilla campaign is not known. If tactics are indeed changing, there is no evidence that the shift is based upon orders received from Peiping or Moscow. [redacted]

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Comment: A document purportedly issued by the Selangor State Committee of the Malayan Communist Party in January admitted that the terrorists had been hurt by some of the government's policies. This document indicated a possible reduction of military activity and increased emphasis on developing the Min Yuen.

It is impossible to judge at this time whether tactical shifts adopted by weak Communist movements outside the East Asian mainland will be adopted by any of the strong Communist movements in Malaya, Burma, or Indochina. "Advice" from Moscow or Peiping on this question could easily be transmitted through the Chinese Communist organization in Malaya.

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7. State of emergency declared in Sarawak: The government of the British colony of Sarawak declared a state of emergency in and around the capital city of Kuching on 9 August following Communist-inspired bandit activity there. A small armed gang, composed entirely of Chinese, is being pursued by elements of the colony's small police force. British officials expressed the belief that Communist activities in Sarawak are directed from the Pontianak area of Indonesian Borneo, about 100 miles south of Kuching.

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Comment: Communist activity in Sarawak, one of three British colonies on the northwest coast of Borneo, flared up briefly at the beginning of the Korean conflict. It was limited chiefly to the Chinese schools, two Chinese newspapers, and workers in the Miri oil field. No previous instances of violence have been ascribed to Communist instigation.

There have been unconfirmed reports of a force of 500 well-armed Chinese operating in small parties in an area of Indonesian Borneo adjacent to Sarawak.

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SOUTH ASIA

10. Finance Minister fears for financial stability of India:  
In private conversations with Ambassador Bowles, Finance Minister Deshmukh expressed grave concern about India's financial situation. Deshmukh stated that he was under increasing pressure to follow unsound policies in order to insure completion of development projects financed under India's five-year plan. He also said that at the end of the plan India's sterling balances probably would be exhausted.

Deshmukh added that if American aid was not adequate, the situation would become "impossible." He repeatedly intimated that the bulk of American aid should be of such nature as to ease the internal financial pressures that are the worst hindrances to India's development.

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Comment: India's financial position has been precarious for some years, and its sterling balances have been maintained only by rigid import-export controls which have hindered industrial and agricultural development. Neither local nor foreign capital has been eager to invest heavily in Indian enterprises. Deshmukh may therefore have been pointing up an immediately critical situation.

On the other hand, it is possible that Deshmukh's plea for "adequate" American aid was made merely in the hope of restoring the sums recently cut out of next year's American aid program for India.

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NEAR EAST - AFRICA

11. Greek Government coalition faces collapse: Two more Greek Liberal Party deputies have announced that they will no longer support the EPEK-Liberal coalition government, although they have not yet resigned from the party. The government's parliamentary support is now reduced to 127, plus three independent leftists.

Papandreou, a Papagos supporter, told the US Embassy that he intended to call for the government to resign. A caretaker government is reportedly being considered. [redacted]

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Comment: The present coalition government is actually no longer in control because 130 votes constitute a majority. The future existence of the government now rests with a few leftists and the eight Communist EDA party deputies. The formation of a caretaker government under a neutral prime minister has been considered on occasion during the past several months.

12. "American labor" subsidies to Tunisians irritate French: A high French official has informed the American Embassy in Paris that alleged subsidies to Tunisian nationalist labor elements by "American labor circles" have been a continuing cause of French resentment and suspicion of American intentions in Tunisia. He hoped that the Tunisian question could be handled in the United Nations without embittering US-French relations. [redacted]

Comment: French Residency officials in Tunis have charged that an important "American labor group" has assured nationalist labor leader Farhat Hached that it can pressure the American Government into supporting the Tunisians in the United Nations.

The French have been perennially jealous of American influence and prestige among the natives of North Africa, and the French Government has been under pressure from vested interests to prevent Americans from obtaining markets there.

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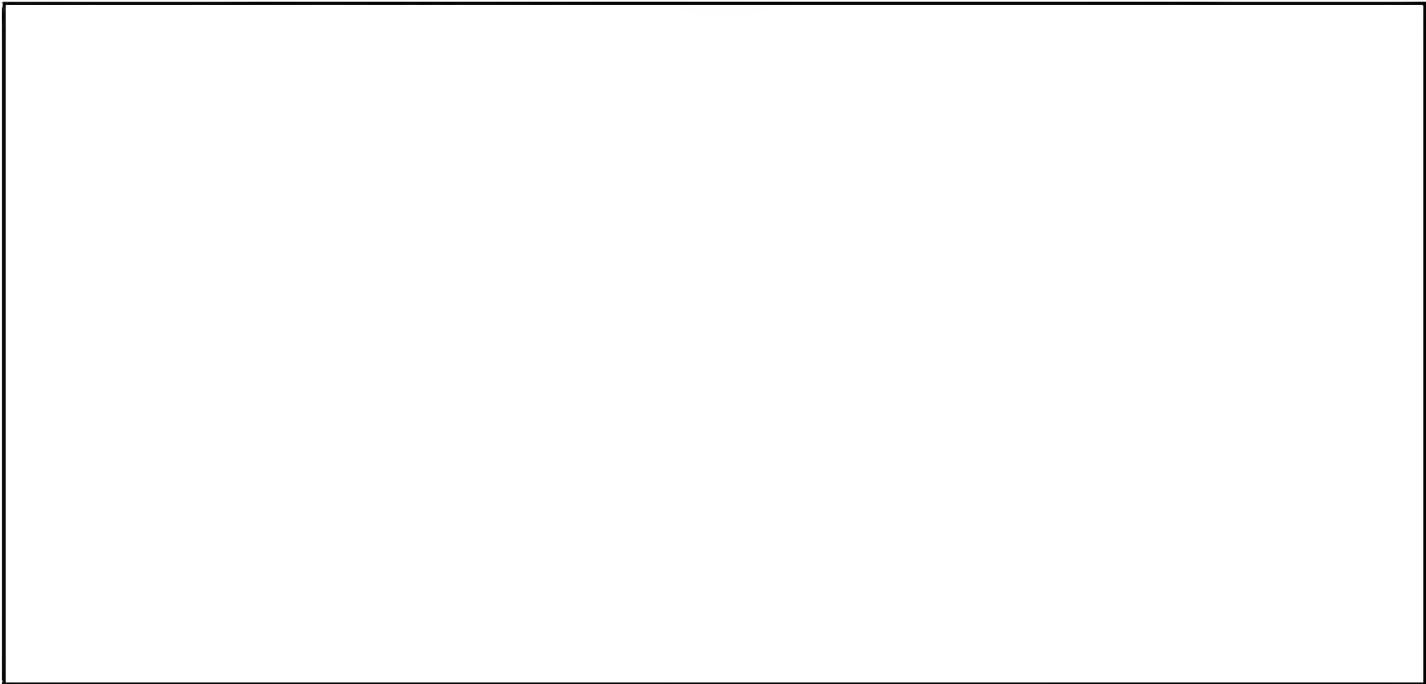
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WESTERN EUROPE



15. East German reorganization plans extend to judiciary:  
Legislation revamping the East German judicial system is reliably reported to be in preparation and is expected to become effective by 1 September. Greater emphasis will reportedly be placed upon lay judges who at the lower levels will be directly elected or named by the district assemblies. 25X1

Comment: Although details of the proposed reorganization are lacking, the election of judges in a country where single-party dominance is rapidly advancing would appear to guarantee the political acceptability of judicial findings.

16. East Germans reportedly assign long-term prisoners to Ruegen Island projects: To provide sufficient prisoners to carry out construction projects on Ruegen Island off the East German north coast, the East German People's Police has reportedly been compelled to assign prisoners who still have over five years to serve or whose sentences were imposed by Soviet military tribunals. Prisoners in these categories were previously exempted from such assignments because of the opportunities in such labor camps for escape. 25X1

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Comment: There is little information available regarding the nature of the Ruegen Island projects, although the establishment of prison labor camps on the island has been associated with the construction of railroads. Ruegen has long been considered an area of military activity. The East German Sea Police have a base there.

17. Allied request for additional trains to Berlin refused: East German railroad authorities have informed West German transport officials that heavy crop traffic on the Berlin-Marienborn train route precludes any increase in the number of trains to Berlin.

The US High Commissioner's office in Bonn states that this excuse is "unconvincing," and asserts that other routes are available for traffic between West Germany and Berlin.

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Comment: The Allies had asked the Soviet authorities for five additional daily trains to Berlin to compensate for the 1 August closing of the Rothensee canal lock. The request was referred to the East German authorities.

18. Paris Embassy comments on possible cut in French defense program: The American Embassy in Paris reports that the impression is growing in France that the United States now views the defense effort as less urgent and that hence the French can relax the pace of rearmament. The Embassy sees a real danger that the decisions of the government and parliament may be influenced by these sentiments.

The vote on the ratification of the EDC treaty is still expected to be close. Because of this and the government's failure to obtain additional American financing for its defense program, the Embassy believes that the government's difficulties will be increased when parliament is presented with a weakened military production program, particularly in view of Germany's growing potential.

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